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The President's Daily Brief

20 August 1971

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~~*Top Secret*~~

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THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

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INTERNATIONAL MONETARY DEVELOPMENTS

The failure of the European Communities (EC) Council in Brussels to agree early this morning on a common policy toward the dollar is a sharp setback to European unity. The Germans, determined to maintain the existing deutschemark float, urged the Six members jointly to float their currencies, while the French, adamantly opposed to revaluing the franc, argued for a two-tier exchange market in which commercial transactions would be carried on with fixed parities. These deep-seated differences proved stronger than the desire of all to preserve Common Market unity.

A communiqué issued after the Brussels meeting indicated that the Council will not meet again until 13 September. There now seems no chance for an overall solution before exchange markets reopen Monday with each country adopting its own arrangements vis-a-vis the dollar. Although the central banks of the Six will be urged to intervene on the exchange markets to keep fluctuations within the EC to a minimum, some disturbances of commerce and finance are likely and may, if stability is not soon restored, create serious difficulties for the Community's agricultural policy.

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Yesterday, European commercial banks engaged in limited dollar trading and exchange rates firmed somewhat, but news of the failure to reach agreement in Brussels will tend to depress the exchange value of the dollar and cause a further rise in the gold price today. In Tokyo, the situation on the exchange market had calmed as of early this morning after heavy dollar sales yesterday, but it is becoming increasingly difficult for the Japanese Government to stick to its public position that the yen will not be revalued.

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ROMANIA-USSR

Ceausescu convened a highly unusual meeting yesterday of all leading party and government bodies. The meeting was called to hear and endorse unanimously a report by Premier Maurer on last month's CEMA meeting at Bucharest and a discourse by Ceausescu on his Asian tour.

The meeting apparently is intended to provide a clear demonstration of internal solidarity in the face of criticism by Bucharest's allies of its obstructionist tactics in CEMA and of Ceausescu's independent stance in foreign affairs, especially his trip to Peking. Since the Crimean summit conference (discussed in The President's Daily Brief of 3 August), criticism of the trip has spread from Hungary--where it appeared first at the behest of Moscow--to the media of other East European capitals.

Yesterday's meeting occurred one day after Soviet Ambassador Drozdenko called on Ceausescu. Romanian media have described their talk as "comradely," a term that implies disagreement. If Drozdenko adopted a menacing approach, yesterday's unusual meeting may have been intended as a defiant reaction. Ceausescu has in the past been willing to compromise without sacrificing national interests, although since late June he has been particularly assertive.

There continues to be no evidence of any overt military pressure being directed against Romania.

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BOLIVIA

The Torres government has declared a state of emergency and called on workers and "popular forces" to defend the nation. These steps followed rioting and some deaths yesterday in the antigovernment stronghold of Santa Cruz, apparently touched off by the government's moves against rightist military and civilian coup plotters in La Paz and outlying areas.

Some reports indicate that at least part of Santa Cruz has fallen to the rebels, although government sources claim the situation there is returning to normal.

La Paz is quiet and there are already progovernment civilian groups patrolling the city. To the south of the capital, the important mine worker's union at Catavi has mobilized its armed militia to help the government. There have been reports that military units in several outlying provinces have joined the insurrection, but confirmation is lacking.

The situation is murky, but it appears that the coup action is not well coordinated and that some elements that had earlier agreed to participate have not done so. If Torres is able to control La Paz for several days he may have enough time to rally needed support from workers and students.

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INDIA

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BRAZIL-US

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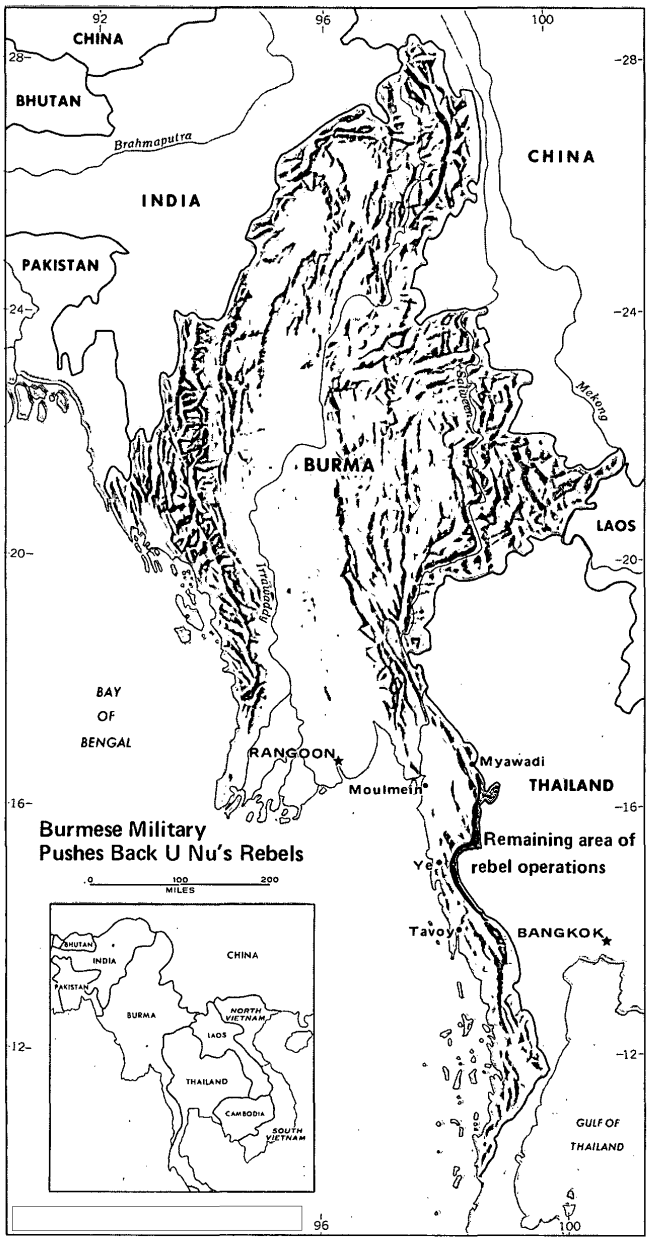

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BURMA

Former prime minister U Nu's insurgents have been driven out of their advance positions and back to the Thai border, according to the Burmese deputy commander in the area. The officer admitted that earlier this year the insurgents had posed a threat to the cities of Moulmein and Tavoy, but he claimed that the main routes around Myawadi used by the rebels to infiltrate from their bases in Thailand have now been sealed. He said that the rebels are now trying to avoid contact with Burmese forces.

In addition to the Burmese military success in reducing the insurgents' operational area, U Nu's position appears to have been weakened by troubles with his reluctant minority allies in Burma. The Karens, the main ethnic minority group in the Burma-Thai border area, have backed Nu only in order to get weapons and their leader is now trying to organize an antigovernment front excluding Nu's ethnic Burmese exiles.

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NOTE

South Vietnam: Big Minh's withdrawal today from the presidential race will add to the already growing dissatisfaction over the government's handling of both the presidential and Lower House contests. Although Minh appears convinced of his allegations that Thieu is rigging the election, his charges are also calculated to discredit the elections in the eyes of both domestic and foreign observers. Despite the fact that Thieu is now the only presidential candidate, he seems likely to go ahead with the election as scheduled on 3 October and make it a popular referendum on his government's policies.

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